

INFO	LOG-00	EEB-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	INL-00	DODE-00	ITCE-00	DOTE-00	ANHR-00	PDI-00	DS-00
	EXME-00	EUR-00	E-00	FAAE-00	UTED-00	VCi-00	FRB-00
	H-00	SSA-01	TEDE-00	INR-00	IO-00	LAB-01	MOFM-00
	MOF-00	VCIE-00	NSAE-00	ISN-00	NSCE-00	OMB-00	NIMA-00
	SCT-00	ISNE-00	SP-00	SSO-00	SS-00	STR-00	FMP-00
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 SUBJECT: GERMAN UNEMPLOYMENT RATE REMAINS STEADY

¶1. SUMMARY. There were once again mixed signals from the German labor market in August. According to the Federal Employment Agency, the number of seasonally adjusted unemployed in Germany which reflects the overall trend in the labor market fell very slightly (by 1,000) in August; the rate, however, remains at 8.3. The small decline sharply contrasts with the 30,000 increase predicted by many economists. Seasonally non-adjusted unemployment rose 9,000 from July to 3.472 million and is now also at 8.3 percent. The impact of the economic crisis on the German labor market has been dampened by employers' use of a subsidized shorter work hour program instead of layoffs. Nevertheless, there is general consensus that job losses are likely to accelerate in the coming months and unemployment is still expected to top 4.5 million in 2010. END SUMMARY.

¶2. The latest labor market development in August once again raised (maybe unduly) hopes that the recession was easing. Four weeks before the federal elections at the end of the month, the politically important seasonally non-adjusted unemployment figure (the one that makes the headline news) rose only by 9,000 from July to 3.47 million, representing an unemployment rate of 8.3 percent. Due to the German government-subsidized "short shift" work program and statistical changes, seasonally adjusted unemployment unexpectedly declined by 1,000 during the same period. The month-to-month jobless decrease was well below the 30,000 increase forecasted by many economists.

¶3. The BA warned, however, that the improved jobless figures were also attributable to recent changes in the compilation of unemployment statistics. Under the new methodology, people seeking employment through private placement agencies or receiving retraining within companies are no longer counted as unemployed. Without the changes, the number of jobless would have been around 25,000 higher in August, the BA noted. Other measures, such as the major use of the "short shift" work program, have helped to prevent massive job cuts in Germany.

¶4. Employment Agency Chief Frank-Juergen Weise reported in his press conference that the effect of the recession on the German labor market had not yet been "dramatic" so far. Given the relatively favorable labor market data in recent months, Weise was cautiously optimistic that the economic crisis would not hit the labor market as hard as expected, indicating that unemployment might not reach the expected 4 million mark by the end of the year. Nevertheless, he warned against premature "euphoria," and noted that unemployment would definitely jump in 2010, but stay well below 5 million. In his view, the "most dangerous month" in this scenario would be January 2011 when the short time work program will expire. Economists also warned that changes in the labor market traditionally lag other macro-economic indicators which recently showed signs that the worst of the recession may be over. In a press interview, Ralph Solveen, an economist at Commerzbank said although the August figures were "a positive surprise" and the feared collapse in the labor market did not happen, "it will certainly hit in the fall."

¶5. The sharp deterioration of the German economy has also slowed employment growth and reversed recent year gains. German employment was at 40.15 million in July 2009, about 144,000 less than a year ago. Germany's export-oriented economy (notably automobile and machine tool industries) remains affected by waning global demand for manufactured products.

¶6. More detailed statistical information on Germany is available at the Federal Employment Agency's website:

<http://www.pub.arbeitsagentur.de/hst/services/statistik>

MURPHY